Manitoba

# TEACHERS' RETIREMENT ALLOWANCES FUND

## *REPORT TO MEMBERS*

## 1990

91-06402/

# 1990 REPORT TO MEMBERS

## THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

CITIZEN MEMBERS
James G. Oborne, Chairman
Lorne Ross

TEACHER MEMBERS
George Strang, Vice Chairman
David Lerner
Anne Monk

SCHOOL TRUSTEE MEMBERS
Stephanie Shumilak
Ray Whiteway

The Teachers' Pensions Act, and preceding Acts dating back to 1925, were enacted for the purpose of providing the framework under which Manitoba public school teachers might find financial security in retirement.

The Teachers' Retirement Allowances Fund Board is constituted under The Teachers' Pensions Act to administer that Act, which also provides for a specifically constituted Investment Committee with responsibility for investment of the Fund's assets.

## STATEMENT OF MANAGEMENT OBJECTIVES

1. To invest the assets of the Fund in a manner that will ensure security of capital on a real value basis making every effort, within an appropriate asset-mix policy, to earn a favorable real rate of return.
2. To ensure that all benefits are determined in accordance with the Act and paid on a timely basis.
3. To provide plan members with accurate information about the pension plan necessary to enable them to make informed decisions with respect to retirement and to the form in which earned benefits will be paid.
4. To make safekeeping arrangements for the Fund's investments that ensure their safe custody.
5. To maintain the financial and historical records of the Fund and to keep them current at all times.
6. To administer the affairs of the Fund in an effective, economical and socially responsible manner.

You are welcome to direct your enquiries regarding your status as a member of this plan to the Board office. In order that we may more rapidly answer your enquiries, we suggest that, when doing so, you state the subject you wish to discuss so that we may refer you to the appropriate staff member. It would also expedite matters if you advise as to your social insurance number. Members of the Plan may visit the office at any time during business hours to examine the Teachers' Pensions Act and amendments thereto, the annual information return to The Pension Commission, the most recent actuarial valuation report, and the latest audited financial statements.

**TEACHERS' RETIREMENT ALLOWANCES FUND BOARD**
**111 - 1200 Portage Avenue**
**Winnipeg, Manitoba R3G 0T5**
**Phone: (204) 945-6199**
**1-800-782-0714 (Toll Free)**

**THE TEACHERS' RETIREMENT ALLOWANCES FUND**
**REPORT TO MEMBERS**
**1990**

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## THE TEACHERS' RETIREMENT ALLOWANCES FUND
## REPORT TO MEMBERS
## 1990

This report relates to the operations of The Teachers' Retirement Allowances Fund for its fiscal year ended on December 31, 1989. In this connection, we have attached a copy of the Provincial Auditor's Report on the Accounts for that period as well as the related financial statements. Some highlights taken from those statements are:

| | 1989 ($ 000) | 1988 ($ 000) | % Increase |
|---|---|---|---|
| Investments | $664,082, | $588,473, | 12.8 |
| Investment Income | $ 68,367, | $ 54,978, | 24.4 |
| Rate of Investment Return | 11.45% | 10% | n/a |
| Teacher Contributions | $ 36,795, | $ 34,966, | 5.2 |
| Contributors | 14,133 | 14,258 | (0.9) |
| Contributions and Other Payments by Province of Manitoba and Employers | $ 28,042, | $ 25,523, | 9.9 |
| Pension Payments | $ 52,057, | $ 47,043, | 10.7 |
| Pensioners and Other Recipients | 4,391 | 4,176 | 5.1 |

**PENSIONS:**

During the year, 306 income benefits were granted compared to 303 in 1988, as follows:

| | 1989 | 1988 |
|---|---|---|
| Regular Service Pensions | | |
| Ages earlier than 60 | 183 | 155 |
| Ages 60 and over | 93 | 97 |
| | 276 | 252 |
| Annuities to retired teachers not entitled to pensions | 30 | 51 |
| | 306 | 303 |

166 of the total of 276 regular new pensioners chose a plan of payment providing for all or part of the pension to continue to be paid after the retired teacher's death for the lifetime of a beneficiary. 15 chose life pensions guaranteed for a minimum period of either 10 or 15 years, and 95 selected a basic lifetime pension. 83 pensioners who retired before age 65 chose to integrate either or both of the Old Age Security and Canada Pension Plan pension with

their pension from the Fund. Following is a breakdown of new 1989 regular service pensions according to years of pensionable service, with comparative 1988 figures shown in brackets:

| Years of Service | No. of Pensioners | | Average Monthly Basic Pension | |
|---|---|---|---|---|
| 1 - 9.9 | 5 | ( 4) | $ 184 | ($ 300) |
| 10 - 14.9 | 25 | (34) | 603 | ( 479) |
| 15 - 19.9 | 41 | (31) | 839 | ( 869) |
| 20 - 24.9 | 49 | (46) | 1,135 | ( 1,122) |
| 25 - 29.9 | 43 | (32) | 1,540 | ( 1,504) |
| 30 - 34.9 | 64 | (53) | 1,930 | ( 2,013) |
| 35+ | 49 | (52) | 2,568 | ( 2,255) |
| 1 - 35+ | 276 | (252) | $1,526 | ($1,460) |

Following is a summary of the different types of income benefits being paid at the end of 1989 and 1988:

| | 1989 | 1988 |
|---|---|---|
| Regular Service Pensions - | | |
| to retired teachers | 3,833 | 3,650 |
| to dependents or estates of deceased retired teachers | 133 | 123 |
| Disability Pensions - | | |
| to retired disabled teachers | 100 | 101 |
| to dependents or estates of deceased retired disabled teachers | 6 | 6 |
| Death Benefits - | | |
| to surviving spouses or children of deceased teachers | 82 | 74 |
| Special Annuities - | | |
| to former teachers of retirement age not entitled to regular pensions | 237 | 222 |
| | 4,391 | 4,176 |

Of the teachers to whom, or in respect of whom the above noted benefits are being paid 2,987 are female and 1,404 are male (1988 - 2,899 female, 1,277 male).

## INFORMATION AND COUNSELLING:

A summary of the benefits available to plan members is contained in a general information booklet which has been distributed to all teachers. If, for some reason you have not received a copy of this booklet or if your copy has been misplaced, you can request a new one by contacting your school division office.

During the year, staff members of the Board have corresponded with many individual teachers. During 1989 there were 467 plan members who made appointments to visit the Board office for assistance in formulating retirement plans or to obtain information concerning provisions for reinstatement of refunded service, reciprocal transfer agreements or other aspects of the plan of specific interest to them. Teachers are encouraged to arrange retirement interviews so that they and their spouses more fully understand key decisions regarding the selection of an optional type of pension payment or integration of their pension with Federal Old Age Security and Canada Pension Plan benefits.

In 1989, staff members acted as resource persons for pre-retirement planning seminars organized by The Manitoba Teachers' Society. These seminars were held in Selkirk, Dauphin, Steinbach, The Pas, Thompson and Winnipeg. About 690 teachers planning their retirement registered to attend. Many of them attended with their spouses. Staff members can be made available to any group of teachers who wish assistance in conducting general information meetings related to their pension plan.

Special programs such as the one which allows teachers to convert their pre July 1980 service to a 5 year average in the eventual calculation of their pension continue to be a source of enquiries. Many current and former Manitoba teachers have also enquired regarding provisions recently enacted which eliminate the July 1973 date from reciprocal agreements and which allow former teachers to reinstate their refunded service for the purpose of transferring this service to their new out of province teacher pension plan. Information concerning these or other programs may be obtained by direct enquiry to the general office.

Computer systems have been designed to provide each active teacher with a personalized benefit statement. These statements are scheduled to be distributed to each teacher by mid June each year. It is hoped that the statement will assist teachers in planning for the future. Teachers nearing retirement should contact the Board office for more detailed pension information which cannot be incorporated into the benefit statement.

**INVESTMENTS:**

As may be noted from the financial highlights, the invested assets of the Fund increased during the year by more than $75,000,000. This increase, along with over $15,000,000. of funds resulting from maturing securities, was invested under the direction of the Investment Committee comprised of the Chairman of the Board, a "teacher" member of the board, David Lerner, and the Provincial Deputy Minister of Finance. The investments chosen by the Committee may be summarized as follows:

| | % of Total | Cost ($ thousand) | Average Yield % |
|---|---|---|---|
| Bonds - Governments | 6.6 | $ 5,980, | 11.19 |
| - Canadian Corporations | 17.4 | 15,823, | 10.43 |
| Total Bonds | 24.0 | 21,803, | 10.64 |
| Mortgages - Insured, NHA (regular) | 33.7 | 30,637, | 11.13 |
| - Insured, NHA (index linked) | 25.8 | 23,371, | 5.04 + CPI |
| Total Mortgages | 59.5 | 54,008, | |
| Total Fixed Income | 83.5 | 75,811, | |
| Equity Investments | | | |
| Real Estate | 18.2 | 16,508, | * |
| Direct Natural Resources | 6.9 | 6,282, | * |
| Venture Capital | 2.9 | 2,656, | * |
| Total Equity | 28.0 | 25,446, | |
| Total Longer Term Investment | 111.5 | $101,257, | |
| Short Term Investment | (11.5) | (10,455,) | |
| Total New Investment | 100.0 | $ 90,802, | |

* Rates of return to be achieved on these 3 asset classes cannot be predetermined as they are obtained through future rentals, product sales, dividends, interest payments, and net capital gains at time of sale. Over the longer term, investments of these types have historically yielded greater returns than fixed income investments.

As investments in real estate, mortgages, venture capital and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $50,000,000. of unfunded commitments were in place at the end of the year, as follows:

| | Amount ($ thousand) | Average Yield |
|---|---|---|
| Mortgages: | | |
| - Insured, NHA - regular | $ 32,573, | 11.13% |
| - Insured, NHA - index linked | 2,178, | 5.00% + CPI |
| Real Estate Equity | 5,344, | |
| Direct Natural Resources | 7,959, | |
| Venture Capital | 2,301, | |
| Total Commitments | $ 50,355, | |

The rate of return on average net assets of the Fund increased in 1989 to 11.45% from 10.00% in the preceding year.

In order to facilitate communication with the Chairman of the Board in his role as Chairman of the Investment Committee and to gain proximity to the financial community, in May, 1990, with approval of the Board, the Investment Department relocated to 360 Main Street. The Fund sub-leases space from a holding company in which the Chairman holds an indirect interest. The terms and conditions of the sub-lease are identical to those of the holding company's lease, such that no benefit accrues to the Chairman. Both leases were executed concurrently. The terms of the sub-lease are such as to provide below market rent. The Board is satisfied that the arrangement meets their conflict of interest policy.

**ACTUARIAL:**

As required by subsection 45(4) of the Act, an actuarial appraisal of the Fund is made every 3 years. The most recent appraisal as at January 1, 1987, disclosed an actuarial surplus of $29,412,601. As a result, we are pleased to report that the Actuary has certified that "the assets of Account A, together with the contributions expected to be received from and on behalf of the teachers who are participating in the Fund, are sufficient to provide the benefits promised by the Act as they fall due".

**BOARD MEMBERSHIP:**

The Board is composed of 7 members appointed by the Lieutenant Governor in Council. 3 are recommended for appointment by The Manitoba Teachers' Society and 2 by The Manitoba Association of School Trustees, with the remaining 2 appointed directly by the government. The names and sources of appointment of the current members of the Board at June 30, 1989 are shown at the beginning of this report.

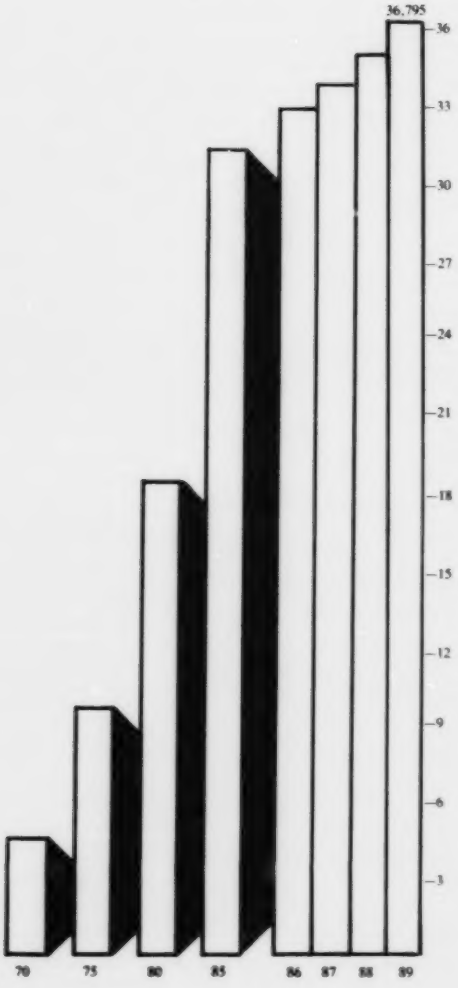
During the year, Ms. Anne Monk, Ms. Stephanie Shumilak, Mr. Lorne Ross and Mr. George Strang were reappointed members of the Board. We wish to record our appreciation for the continuing contribution of these members to the administration of the Fund.

Claude DeGagné
Executive Director
Teachers' Retirement Allowances Fund Board

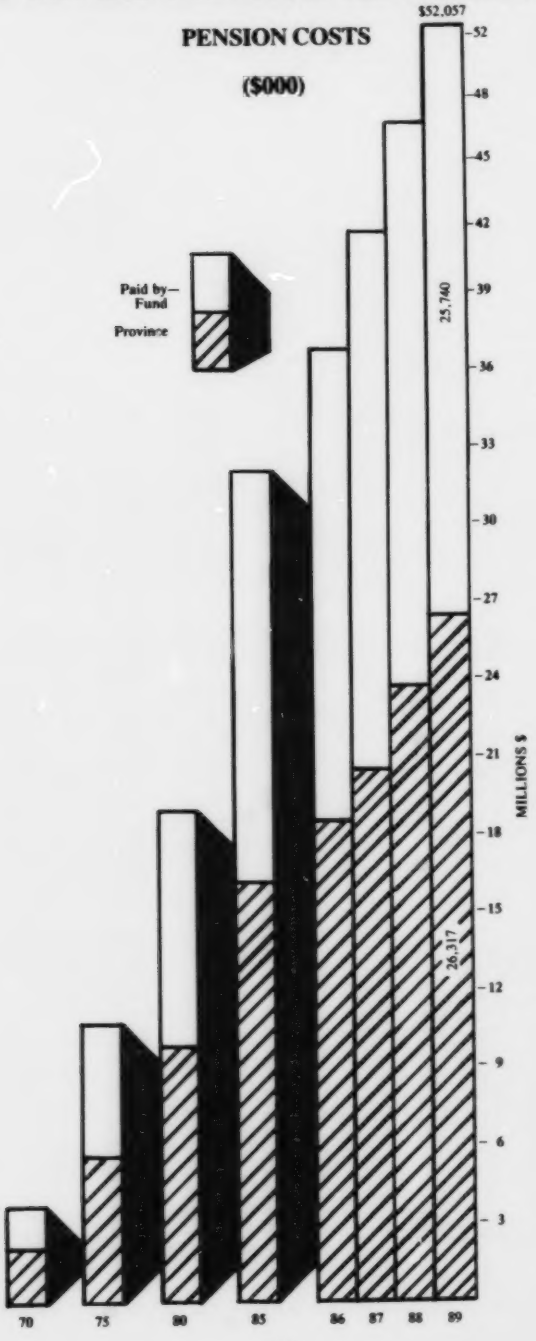
## THE TEACHERS' RETIREMENT ALLOWANCES FUND

## TEACHER CONTRIBUTIONS

**($000)**



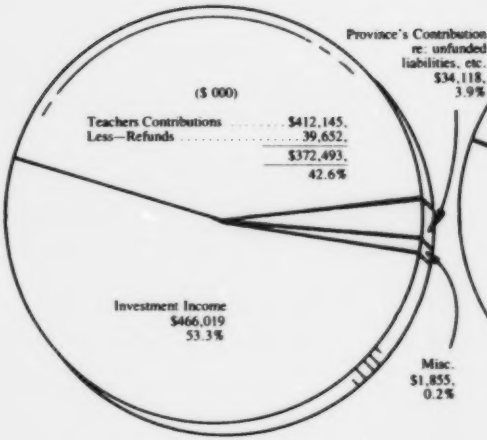
## THE TEACHERS' RETIREMENT ALLOWANCES FUND



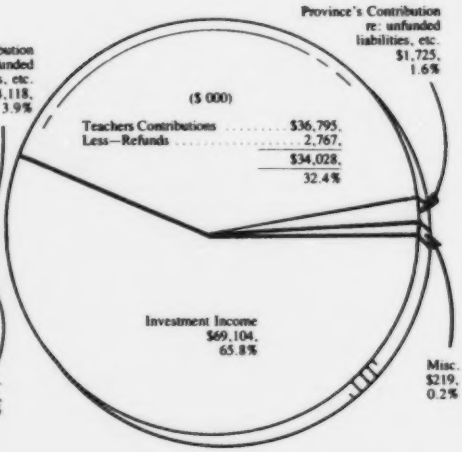
# THE TEACHERS' RETIREMENT ALLOWANCES FUND

## INCOME

### 1963 to 1989

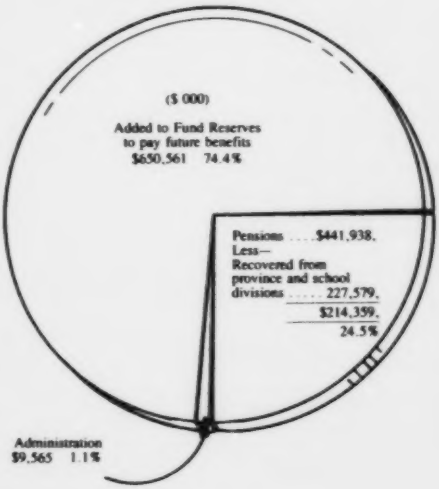



### 1989

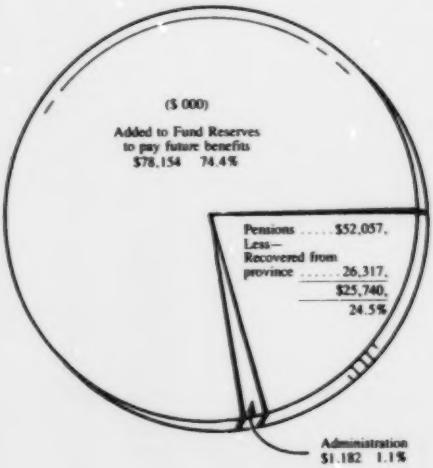



## DISPOSITION OF INCOME

### 1963 to 1989

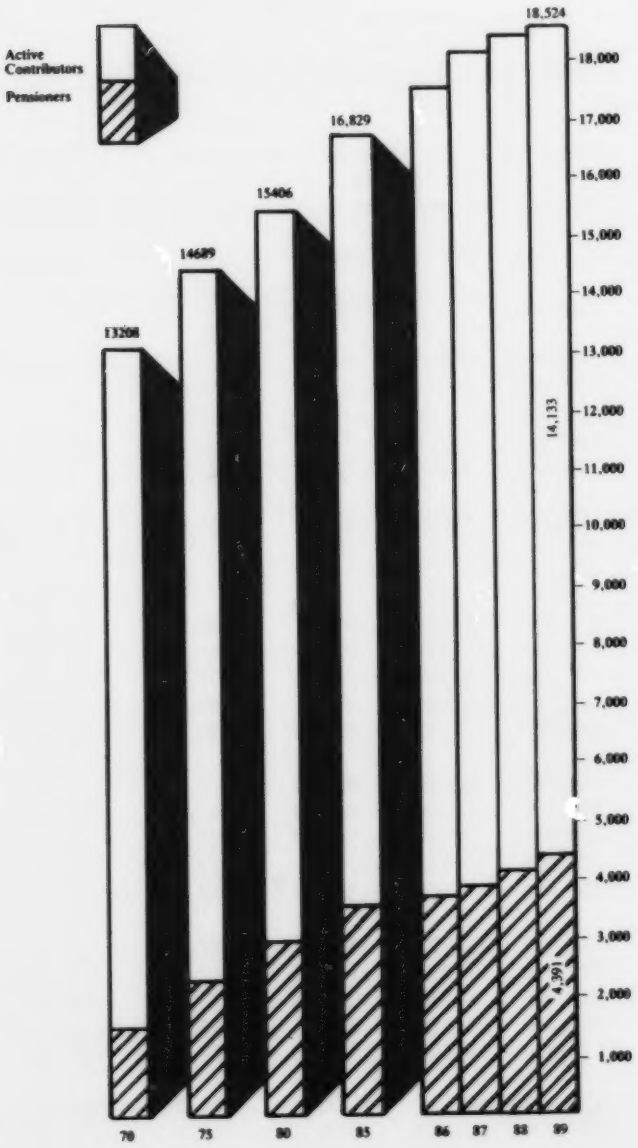



### 1989



## THE TEACHERS' RETIREMENT ALLOWANCES FUND

## PLAN MEMBERSHIP



**TEACHERS' RETIREMENT ALLOWANCES FUND BOARD**
**COMPARATIVE STATISTICS**
**1925 - 1989**

| Year Ended June 30 | Net Assets | Income From Investments | | Number of Teachers Contributing | CONTRIBUTIONS | |
|---|---|---|---|---|---|---|
| | | | Approx. Rate of Return % | | Teachers | Province of Manitoba |
| | ($ 000) | ($ 000) | | | ($ 000) | ($ 000) |
| 1925-1948 | 1,866, | 628, | 4.00 | | 1,761, | 248, |
| 1949-1965 | 28,084, | 7,973, | 3.25-5.00 | 9,000 | 17,806, | 4,287, |
| 1966..... | 30,387, | 1,427, | 5.00 | 9,400 | 2,962, | 538, |
| 1967..... | 33,746, | 1,574, | 5.15 | 9,750 | 2,972, | 1,017, |
| 1968..... | 36,839, | 1,735, | 5.35 | 10,650 | 3,655, | 1,227, |
| 1969..... | 40,627, | 2,008, | 5.50 | 11,150 | 4,332, | 1,394, |
| 1970..... | 44,828, | 2,320, | 5.60 | 11,650 | 4,710, | 1,578, |
| 6 mos. ended Dec. 31, 1970 | 46,311, | 1,369, | 6.00 | 11,750 | 1,806, | 1,280, |
| year ended Dec. 31, | | | | | | |
| 1971..... | 52,119, | 3,125, | 6.19 | 12,100 | 5,620, | 3,123, |
| 1972..... | 60,249, | 3,977, | 6.40 | 12,000 | 6,281, | 3,841, |
| 1973..... | 68,188, | 3,996, | 6.53 | 12,200 | 6,982, | 6,100, |
| 1974..... | 77,256, | 3,078, | 4.43 | 12,300 | 7,862, | 8,755, |
| 1975..... | 89,277, | 7,008, | 8.94 | 12,400 | 9,316, | 7,538, |
| 1976..... | 101,988, | 8,090, | 8.91 | 12,500 | 10,656, | 8,519, |
| 1977..... | 117,140, | 9,260, | 8.91 | 12,600 | 12,348, | 9,322, |
| 1978..... | 137,127, | 12,007, | 9.91 | 12,716 | 14,538, | 9,985, |
| 1979..... | 159,066, | 14,917, | 10.60 | 12,533 | 16,292, | 10,859, |
| 1980..... | 184,458, | 17,181, | 10.53 | 12,471 | 18,065, | 11,848, |
| 1981..... | 222,755, | 22,877, | 14.02 | 12,805 | 25,985, | 12,617, |
| 1982..... | 272,360, | 27,991, | 11.96 | 12,907 | 26,293, | 13,912, |
| 1983..... | 316,200, | 29,139, | 10.45 | 12,915 | 27,557, | 15,183, |
| 1984..... | 360,060, | 28,579, | 8.86 | 13,111 | 29,580, | 16,453, |
| 1985..... | 414,458, | 39,506, | 10.85 | 13,287 | 31,214, | 18,184, |
| 1986..... | 475,214, | 46,935, | 11.25 | 13,763 | 32,890, | 20,423, |
| 1987..... | 534,874, | 47,682, | 9.90 | 14,115 | 33,667, | 22,496, |
| 1988..... | 600,908, | 54,978, | 10.00 | 14,258 | 34,966, | 25,523, |
| 1989..... | 678,450, | 68,367, | 11.45 | 14,133 | 36,795, | 28,042, |

| School Districts ($ 000) | Admin. Expenses ($ 000) | Refunds ($ 000) | Pensions | | | |
|---|---|---|---|---|---|---|
| | | | Cost ($ 000) | Being Paid at end of period | Added during period | Deleted during period |
| -- | 33, | 279, | 464, | 109 | 192 | 83 |
| 4,683, | 342, | 3,771, | 8,759, | 960 | 1,207 | 356 |
| 287, | 39, | 803, | 2,072, | 1,032 | 102 | 30 |
| 11, | 44, | 859, | 2,251, | 1,084 | 88 | 36 |
| 20, | 57, | 904, | 2,594, | 1,155 | 120 | 49 |
| 12, | 56, | 990, | 2,906, | 1,253 | 138 | 40 |
| 13, | 64, | 1,116, | 3,261, | 1,357 | 143 | 39 |
| 5, | 31, | 649, | 2,310, | 1,458 | 124 | 23 |
| 16, | 90, | 1,048, | 4,955, | 1,606 | 195 | 47 |
| 10, | 114, | 1,244, | 5,670, | 1,737 | 182 | 51 |
| 9, | 123, | 1,186, | 7,076, | 1,980 | 293 | 50 |
| 8, | 136, | 1,449, | 8,957, | 2,176 | 244 | 48 |
| 6, | 168, | 1,385, | 10,661, | 2,289 | 171 | 58 |
| 5, | 215, | 1,471, | 12,388, | 2,416 | 175 | 48 |
| 5, | 290, | 1,449, | 14,018, | 2,524 | 161 | 53 |
| 11, | 261, | 1,499, | 15,489, | 2,649 | 187 | 62 |
| 4, | 292, | 1,817, | 17,212, | 2,789 | 196 | 56 |
| 5, | 358, | 2,174, | 19,050, | 2,935 | 218 | 72 |
| -- | 404, | 2,191, | 20,867, | 3,007 | 143 | 71 |
| -- | 493, | 2,210, | 23,054, | 3,117 | 194 | 84 |
| -- | 549, | 2,027, | 25,519, | 3,239 | 197 | 75 |
| -- | 660, | 1,980, | 28,522, | 3,355 | 213 | 97 |
| -- | 709, | 1,914, | 32,092, | 3,542 | 260 | 73 |
| -- | 823, | 1,744, | 36,771, | 3,733 | 291 | 100 |
| -- | 961, | 2,013, | 41,885, | 3,970 | 330 | 93 |
| -- | 1,198, | 3,133, | 47,043, | 4,176 | 303 | 97 |
| -- | 1,182, | 2,767, | 52,057, | 4,391 | 306 | 91 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

## REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A, B and C and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied, after giving retroactive effect to the changes in accounting for appraised values on real estate equity investments as described in note 6 to the financial statements, on a basis consistent with that of the preceding year.

C. A. Bellringer, CA,
Assistant Provincial Auditor

May 15, 1990
Winnipeg, Manitoba

Exhibit A

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Balance Sheet
### as at December 31, 1989
### (with 1988 figures for comparison)

### A S S E T S

| | 1989 | 1988 |
|---|---|---|
| | (thousands of dollars) | |
| Cash in bank | $ 357 | $ -- |
| Investments, Schedule 1 | 664,082 | 588,473 |
| Unamortized net adjustment to book value of securities sold before maturity | 20 | 34 |
| Accrued interest on investments | 7,072 | 6,202 |
| Investment income receivable | 2,751 | 2,258 |
| Teachers' contributions receivable from school divisions | 2,814 | 2,908 |
| Receivable from Government of the Province of Manitoba | 1,098 | 937 |
| Computer and office equipment, at cost less accumulated amortization of $95 (1988 - $156), Note 2(F) | 256 | 96 |
| | $678,450 | $600,908 |

### L I A B I L I T I E S

| | | |
|---|---|---|
| Bank overdraft | $ -- | $ 134 |
| Accounts payable | 626 | 496 |
| Money Purchase Account, Note 4, Exhibit C | 100 | 65 |
| Provision for Fund's share of employees' pension benefits, Note 2(E) | 774 | 680 |
| | 1,500 | 1,375 |
| Benefit Reserves, Exhibit B: | | |
| Reserves for teachers' share of benefits: | | |
| Basic | 620,844 | 549,185 |
| Pension indexing adjustments, Note 2(C) | 54,051 | 48,537 |
| Reserves for employers' share of benefits: | | |
| Manitoba Teachers' Society | 1,892 | 1,663 |
| Manitoba Association of School Trustees | 163 | 148 |
| | 676,950 | 599,533 |
| | $678,450 | $600,908 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Statement of Changes in Benefit Reserves for the year ended December 31, 1989 (with 1988 figures for comparison)

| | Reserve for Teachers' Share of Benefits | |
|---|---|---|
| | Basic | Pension Indexing Adjustments |
| Additions: | | |
| Contributions: | | |
| Teachers | $ 30,800 | $ 5,995 |
| Province of Manitoba: | | |
| Share of benefits charged | 26,317 | -- |
| Re: Actuarial liability created by 1970 and 1973 amendments | 1,613 | -- |
| Prior rural service of certain Winnipeg teachers | 112 | -- |
| Manitoba Teachers' Society | -- | -- |
| Manitoba Association of School Trustees | -- | -- |
| Other: Transfers under reciprocal agreements | 2,103 | -- |
| Transfer from Money Purchase Account, Exhibit C | -- | -- |
| Total contributions | 60,945 | 5,995 |
| Investment Income, Schedule 2, Note 2 | 62,737 | 5,421 |
| Total additions | 123,682 | 11,416 |
| Deductions: | | |
| Pensions paid | 46,091 | 5,902 |
| Refunds | 2,767 | -- |
| Transfers under reciprocal agreements | 1,983 | -- |
| Administrative expenses | 1,182 | -- |
| Total deductions | 52,023 | 5,902 |
| Net increase for year | 71,659 | 5,514 |
| Balance at beginning of year as previously reported | 548,448 | 48,537 |
| Adjustment of real estate appraisal surplus (Note 6) | 737 | -- |
| As restated | 549,185 | 48,537 |
| **Balance at end of year, Exhibit A** | **$620,844** | **$54,051** |

**Exhibit B**

| 1989 | | | 1988 |
|---|---|---|---|
| | | (thousands of dollars) | |
| Reserve for Employers' Share of Benefits | | | |
| Manitoba Teachers' Society | Manitoba Association of School Trustees | Total | Total |
| $ -- | $ -- | $ 36,795 | $ 34,966 |
| -- | -- | 26,317 | 23,790 |
| -- | -- | 1,613 | 1,613 |
| -- | -- | 112 | 120 |
| 86 | -- | 86 | 75 |
| -- | 13 | 13 | 3 |
| -- | -- | 2,103 | 1,802 |
| -- | - | -- | 106 |
| 86 | 13 | 67,039 | 62,475 |
| 192 | 17 | 68,367 | 54,978 |
| 278 | 30 | 135,406 | 117,453 |
| 49 | 15 | 52,057 | 47,043 |
| -- | -- | 2,767 | 3,133 |
| -- | -- | 1,983 | 1,556 |
| -- | -- | 1,182 | 1,198 |
| 49 | 15 | 57,989 | 52,930 |
| 229 | 15 | 77,417 | 64,523 |
| 1,663 | 148 | 598,796 | 534,273 |
| -- | -- | 737 | 737 |
| 1,663 | 148 | 599,533 | 535,010 |
| $1,892 | $163 | $676,950 | $599,533 |

Exhibit C

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Statement of Money Purchase Account for the year ended December 31, 1989 (with 1988 figures for comparison)

| | 1989 | 1988 |
|---|---|---|
| | (thousands of dollars) | |
| Additions: | | |
| Deposits | $ 26 | $139 |
| Allocation of interest income net of administration fee | 9 | 3 |
| | 35 | 142 |
| Deductions: | | |
| Transfer to basic reserve upon election of annuity, Exhibit B | -- | 106 |
| Increase for the year | 35 | 36 |
| Balance at beginning of year | 65 | 29 |
| Balance at end of year, Exhibit A | $ 100 | $ 65 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Summary of Investments as at December 31, 1989 (with 1988 figures for comparison)

| | 1989 | | 1988 |
|---|---|---|---|
| | (thousands of dollars) | | |
| | Par Value | Book Value | Book Value |
| Fixed income longer term investments, Note 2(B)(i): | | | |
| Bonds and other debt instruments issued by, or guaranteed by, the following: | | | |
| Canada | $ 99,446 | $ 71,433 | $ 63,411 |
| Province of: | | | |
| Alberta | 50 | 50 | 65 |
| British Columbia | 3,323 | 1,672 | 1,554 |
| Manitoba | 22,478 | 22,457 | 22,556 |
| New Brunswick | 815 | 813 | 863 |
| Newfoundland | 975 | 971 | 995 |
| Nova Scotia | 220 | 219 | 219 |
| Ontario | 16,923 | 12,982 | 10,317 |
| Prince Edward Island | 690 | 683 | 683 |
| Quebec | 300 | 300 | 450 |
| Saskatchewan | 650 | 649 | 648 |
| Hospital districts | 5,998 | 5,994 | 6,167 |
| Municipal corporations | 9,526 | 9,514 | 9,981 |
| Corporations | 90,449 | 88,908 | 76,908 |
| | 251,843 | 216,645 | 194,817 |
| Mortgages: | | | |
| Insured: | | | |
| National Housing Act (Canada) - regular | 129,280 | 128,963 | 103,564 |
| National Housing Act (Canada) - index linked | 52,925 | 52,925 | 29,374 |
| Other | 2,432 | 2,432 | 3,862 |
| Uninsured | 14,316 | 14,305 | 18,666 |
| | $198,953 | $198,625 | $155,466 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Summary of Investments as at December 31, 1989 (with 1988 figures for comparison)

| | 1989 | 1988 |
|---|---|---|
| | (thousands of dollars) | |
| | Book Value | Book Value |
| Total fixed income longer term investments at amortized cost..... | $415,270 | $350,283 |
| Less: Provision for capital losses..... | 3,947 | 3,144 |
| Net fixed income longer term investments..... | 411,323 | 347,139 |
| Non-fixed income investments, Note 2(B)(ii): | | |
| Real estate equity investments: | | |
| Common shares..... | 35,515 | 26,493 |
| Participating bonds..... | 70,702 | 54,939 |
| Qualifying shares..... | 60 | 60 |
| Total real estate equity investments, at appraised values..... | 106,277 | 81,492 |
| Less: Provision for valuation declines. | 12,387 | 7,173 |
| Net real estate equity investments..... | 93,890 | 74,319 |
| Direct natural resource investments: | | |
| Shares and notes, at cost plus interest in retained earnings..... | 29,399 | 25,197 |
| Investment in subsidiary, Note 3..... | -- | 1 |
| Total direct natural resource investments.... | $ 29,399 | $ 25,198 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Summary of Investments as at December 31, 1989 (with 1988 figures for comparison)

| | 1989 | 1988 |
|---|---|---|
| | (thousands of dollars) | |
| | Book Value | Book Value |
| Venture capital equity investments, at appraised values..... | $ 24,534 | $ 22,265 |
| Less: Provision for valuation declines.. | 1,016 | 403 |
| Net venture capital equity investments..... | 23,518 | 21,862 |
| Real estate acquired through mortgage defaults..... | 1,482 | 5,030 |
| Total non-fixed income investments..... | 148,289 | 126,409 |
| Short term notes, at cost..... | 104,470 | 114,925 |
| **Total Investments, Exhibit A.....** | **$664,082** | **$598,473** |

Schedule 2

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Summary of Investment Income for the year ended December 31, 1989 (with 1988 figures for comparison)

| | 1989 | 1988 |
|---|---|---|
| | (thousands of dollars) | |
| Fixed income longer term investments, Note 2(B)(i): | | |
| Interest | $36,567 | $32,356 |
| Amortization of discounts and premiums | 4,374 | 3,172 |
| | 40,941 | 35,528 |
| Less: Allocation to provision for capital losses | 965 | 826 |
| | 39,976 | 34,702 |
| Non-fixed income investments, Note 2(B)(ii): | | |
| Real estate equity: | | |
| Interest and dividends | 6,455 | 6,413 |
| Adjustment due to changes in book value of investments | 5,748 | 1,158 |
| | 12,203 | 7,571 |
| Direct natural resources: | | |
| Income from subsidiary | -- | 991 |
| Dividends | 1,319 | 1,096 |
| Adjustments due to changes in book value of investments | (330) | (1,541) |
| | 989 | 546 |
| Venture capital equity: | | |
| Income | 674 | 646 |
| Adjustments due to changes in book value of investments | 414 | (27) |
| | 1,088 | 619 |
| Canadian Commercial Bank: | | |
| Proceeds from sale of assets, Note 5 | 181 | 107 |
| Income from real estate acquired through mortgage defaults | 483 | 358 |
| Short term notes: | | |
| Interest | 13,534 | 11,144 |
| Total investment income | 68,454 | 55,047 |
| Allocated to: | | |
| Provision for Fund's share of employees' pension benefits | (78) | (66) |
| Money Purchase Account, net of administration fee | (9) | (3) |
| **Net Investment Income, Exhibit B** | $68,367 | $54,978 |

## THE TEACHERS' RETIREMENT ALLOWANCES FUND

### Notes to the Financial Statements for the year ended December 31, 1989

**1. Nature of the Organization:**

The Teachers' Retirement Allowances Fund Board was originally constituted under an Act passed at the 1925 session of the Legislature and is responsible for administering the current legislation, The Teachers' Pensions Act. The Act provides for the establishment and maintenance of a pension plan and fund to provide retirement security for all public school teachers in Manitoba.

The Teachers' Retirement Allowances Fund primarily consists of contributions made by teachers and provides funds to meet half the cost of retirement benefits.

**2. Significant Accounting Policies:**

The significant accounting policies are summarized below:

(A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and investment income.

(B) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield. The premiums, discounts and book losses are amortized on an effective yield basis over the remaining term to maturity.

One quarter of 1% of the weighted average monthly book value during the year of fixed income longer term investments is allocated to a provision for capital losses and any actual losses realized are charged against the provision.

(ii) Non-fixed income investments:

Where valuation information is available, which is considered by management to be reliable, non-fixed income investments are adjusted to reflect the change in their values. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for valuation declines. In any year that the valuations decrease, the whole of the decrease is charged to the provision. The portion of any valuation decline exceeding the provision balance is charged to income. When an investment is sold, the balance in the provision pertaining to the investment sold is transferred to income.

(a) Direct natural resource investments:

Direct natural resource investments are valued at cost less depletion plus or minus the Fund's share of retained earnings or deficit. Depletion and retained earnings/deficit values are updated annually based on the most recent available audited financial statements of the investee.

(b) Real estate acquired through mortgage defaults:

Properties taken over by the Fund as a result of mortgage defaults are recorded at cost. The Fund is in the process of disposing of these properties.

(C) Pension indexing adjustment reserve:

An allocation of teachers' contributions is made to the reserve in accordance with the Act. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on all fixed income investments in the Fund.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

(D) Actuarial valuation:

The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In

accordance with the Act, an actuarial valuation and report is required every 3 years. The most recent actuarial report as at January 1, 1987, disclosed a surplus of $29,412,601 compared to a surplus of $37,677,206 at January 1, 1984.

(E) Provision for Fund's share of employees' pension benefits:

A portion of the Fund was allocated to provide for the Fund's accrued actuarial liability based on an actuarial report at December 31, 1980. The report provided a method of allocating funds to the Provision each year between triennial valuations to recognize the annual increase in this liability and for adjustments to be made for actual experience at each valuation. Transactions affecting the Provision in 1989 and 1988 were as follows:

| | 1989 | 1988 |
|---|---|---|
| Balance, beginning of year | $680,070 | $572,862 |
| Required employer contributions charged to administrative expenses | 36,537 | 41,329 |
| Interest allocated from investment income | 78,208 | 65,879 |
| | 794,815 | 680,070 |
| Less: Fund's share of pension payments | 21,059 | -- |
| Balance, end of year | $773,756 | $680,070 |

(F) Computer and office equipment:

Computer equipment, office equipment and software acquisitions are capitalized and amortized on a straight line basis over five years.

3. **Investment in Subsidiary:**

The Teachers' Retirement Resources Investment Corporation of Manitoba Inc. (TRRICMI), a wholly owned subsidiary of the Fund, was incorporated on July 13, 1983, for the purpose of participating in the energy resource sector on behalf of the Fund.

On May 15, 1989, the shareholder approved the windup of TRRICMI. Activity since that date has consisted of liquidation of TRRICMI's assets and liabilities and legal procedures to dissolve TRRICMI. TRRICMI was legally dissolved on March 16, 1990.

4. **Money Purchase Account:**

The Teachers' Retirement Allowances Fund Board has established rules for the Money Purchase Account in accordance with Section 74 of The Teachers' Pensions Act. Under these rules, eligible individuals may transfer to the Money Purchase Account an amount from the Fund, the pension plan of a prior employer, or a locked-in registered retirement savings plan, to provide for an annuity or other settlement in the future. The Money Purchase Account is accounted for separately by the Board. The Board charges an annual administrative fee of 1% of the average value of the assets in the plan. The accumulated value of the eligible individual's account, upon election of an annuity under the Money Purchase Account, is transferred to the Teachers' Basic Benefit Reserve.

5. **Proceeds from Sale of Assets:**

The failure of the Canadian Commercial Bank in 1985 resulted in the write down of the Fund's investment in that bank to $1. Legal action taken on behalf of the Fund produced a partial return of capital of $180,595 in 1989 (1988 - $106,636). Further returns of capital are possible in 1991.

6. **Appraised values - real estate equity investments:**

During the year, the interpretation of the Fund's accounting policy for the years 1981 to 1986 was retroactively revised to conform with the current application of the policy. As a result, the appraised value of real estate equity investments has been increased by $3,089,644, the provision for valuation declines has been increased by $2,352,526 and the Teachers' Basic Benefit Reserve at January 1, 1988 has been increased by $737,118 from what had previously been reported.

7. **Comparative Figures:**

Comparative figures for the year ended December 31, 1988 have been restated to conform with this years presentation.